

# Example of case study on libyan arab foreign bank versus bankers trust company

[Countries](#), [England](#)



## **Facts**

On January 8th 1986, the President of the United States, President Reagan released a directive that froze the account, leading to the non-payment of money to the Libyan Arab foreign bank. Libyan Arab Foreign Bank had two accounts at Bankers Trust Company, which was an American corporation. The demand account was held in New York City while the interest bearing account was opened in London. The contractual agreement stated that all transactions would go through the New York account.

## **The Procedural**

The suit was instituted in London before the Queen's Bench in 1987. The case was instituted in London because there was a question of whether prescriptive jurisdiction under public international law imposed exchange restrictions. Libyan Arab Foreign Bank raised the following claims in the suit \$131 million in damages due to the defendants failure to release the plaintiff's money, breach of contract, failure to execute payment order prior to the executive order, frustration of contract and breach of duty. The Queen's Bench ruled in favour of the plaintiff and granted the claims to recover the deposits and the interests owed. Bankers Trust Company did not appeal.

## **Issue**

Whether infringement of United States law would affect an account opened in London because the payment of the money was denied as a result of the executive order issued by the American president.

## **Holding**

The bench decided that the contract between a bank and its clients should be guided by the laws of the country in which the account was opened and not the laws of any other country.

## **Reasoning**

The bench looked into the sanctions done by the United States government on the Libyan government through the executive orders. The court determined that there was no infringement of the United States laws since the account was opened in London.

## **Decision**

It was held that the laws of the United States do not affect the operations of an account opened in London hence Bankers Trust Company was held liable to the claims brought by the plaintiff.

## **References**

Collins, L. (2008). *Essays in International Litigation and the Conflict of Laws*. New York: Oxford University Press.

Hartley, T. (2009). *International Commercial Litigation: Text, Cases and Materials on Private International Law*. Cambridge: Cambridge University Press.